

Message Text

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ACTION EB-11

INFO OCT-01 NEA-14 ISO-00 L-03 H-03 SP-03 AID-20 NSC-07

RSC-01 CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02

CIAE-00 COME-00 DODE-00 DOTE-00 FMC-04 INR-11 NSAE-00

CG-00 COA-02 DLOS-07 SWF-02 CAB-09 FAA-00 DRC-01 /133 W

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R 300645Z AUG 74

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 3582

INFO AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

LIMITED OFFICIAL USE NEW DELHI 11546

E. O. 11652: N/A

TAGS: EAIR, EWWT, IN

SUBJ: FOREIGN EXCHANGE REGULATION ACT, 1973: AVIATION AND
SHIPPING

REF: STATE 187933

1. IN MEETING AUGUST 29 WITH MINISTRY OF FINANCE DIRECTOR M. C. BHATT

,
LATTER STATED THAT SECTION 29 DOES NOT REQUIRE WATERMAN TO SUBMIT
"APPLICATION" IF COMPANY OPERATES SOLELY THROUGH AGENT IN INDIA.
MACKINNON, MACKENZIE AND COMPANY, AS AGENT IN INDIA FOR FOREIGN
COMPANY MUST COMPLY WITH RESERVE BANK REGULATIONS APPLICABLE
TO THAT ACTIVITY.

2. EMBOFF THEN TOOK OPPORTUNITY TO DISCUSS SITUATION OF AIRLINES
WHICH ARE, IN GENERAL, BEING REQUIRED TO SUBMIT INFORMATION TO THE
RBI UNDER SECTION 29. HE TOLD BHATT THAT THE FAILURE OF GOI TO EXEMPT
THE FOREIGN AIR CARRIES EARLY ALONG UNDER SECTION 29(3) AND CONTINUED
INSISTENCE THAT THEY SUBMIT DETAILED INFORMATION ON THEIR ACTIVITIES
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ARE A CAUSE OF CONSIDERABLE CONCERN AND WORK TO THE AIRLINES. EMBOFF

ASKED BHATT IF THE GOI VIEWS AIRLINES' RESPONSES TO RBI QUESTION-NAIRES AS "APPLICATION" UNDER SECTION 29(2) OR AS INFORMATION BASE ON WHICH GOI MIGHT SUBSEQUENTLY EXEMPT COMPANIES FROM ACT UNDER 29(3). BHATT SAID HE DID NOT KNOW HOW TO ANSWER THE QUESTION, BUT SAID THE GOI IS STILL IN THE PROCESS OF LEARNING ABOUT THE OPERATIONS OF THESE COMPANIES IN ORDER TO DECIDE HOW, IF AT ALL, TO APPLY ACT TO THEM. EMBOF AGAIN STRONGLY URGED THAT THE GOI THINK IN TERMS OF EXEMPTING FOREIGN AIRLINES (AND SHIPPING COMPANIES, AS APPROPRIATE) FROM THE ACT.

3. THE OVERALL TONE AND IMPLICATION OF BHATT'S REMARKS TENDED TO CONFIRM IMPRESSION GAINED EARLIER BY EMBASSY IN TALKS WITH OTHER GOI OFFICIALS THAT GOI HAS LITTLE OR NO IDEA HOW IT WISHES TO APPLY THE ACT TO NUMEROUS TYPES OF FOREIGN FIRMS, INCLUDING, ESPECIALLY, AIRLINES AND SHIPPING COMPANIES WHICH ARE TO BE TREATED SEPARATELY FROM OTHER FOREIGN BUSINESSES "ON THE BASIS OF RECIPROCITY." BHATT SAID HE WOULD ADVISE TRANSPORTATION COMPANIES HAVING DIFFICULTY ASSEMBLING THE REQUIRED INFORMATION BY THE DEADLINE TO SUBMIT WHAT THEY CAN WITH A STATEMENT TO THE EFFECT THAT ADDITIONAL INFORMATION IS NOT AVAILABLE OR WILL BE PROVIDED AT A LATER TIME. HE SAID HE WOULD BE PLEASED TO MEET WITH REPRESENTATIVES OF ANY COMPANIES FOR WHICH THE "APPLICATION" POSES DIFFICULTIES. THUS THE GOI'S ATTITUDE TOWARD TRANSPORTATION COMPANIES IS NEITHER PUNITIVE NOR DOGMATIC; AND GOI OFFICIALS APPEAR SINCERE IN URGING FOREIGN TRANSPORTATION COMPANIES NOT TO BECOME ALARMED ABOUT THE POTENTIAL IMPACT OF THE ACT ON THEIR OPERATIONS, WHICH THE GOI ASSERTS WILL BE MINIMAL.

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